

Message Text

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ACTION EA-09

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UNCLAS MANILA 14948

TO: COMMERCIAL EXPORT PROGRAMS

SUBJECT: CCC LINE OF CREDIT TOBACCO

REF: FASTO 155
TOFAS 167

TOFAS 184. 1. DIBRELL BROS. AND CAROLINA LEAF NOW HAVING
PROBLEMS WITH L/C OPENING UNDER CCC CREDIT LINE FOR TOBACCO.
SAME PROBLEM AS REPORTED IN TOFAS 167 FOR DICKINSON LEAF.

2. DBP WOULD LIKE TO IMPLEMENT THE SAME PROCEDURE FOR OPENING
TOBACCO L/C'S THAT IS CURRENTLY BEING USED BY THE COTTON
SUPPLIERS AND MILLS I.E. DBP WILL SUPPLY AGATTACHE WITH A LIST
OF MANUFACTURERS AND ALLOCATIONS OF THEIR PORTION OF THE
\$10 MILLION CCC LINE. LIST WILL IDENTIFY SUPPLIER FOR EACH
MANUFACTURER AND ALLOCATION. AGATTACHE WILL TRANSMIT LIST TO
FAS/W VIA TOFAS. THEN YOU WOULD ASSIGN GSM NOS. AND FURNISH TO
SUPPLIER AND EMBASSY MANILA FOR ATTENTION OF DBP. DBP WILL PUT
THE GSM NOS. IN THE L/C APPLICATIONS TO THE U.S. BANK.

3. DBP FEELS THAT THIS PROCEDURE ELIMINATES THE PROBLEM OF
SUPPLIERS REGISTERING LARGER SUMS THAN ARE UTILIZED IN L/C'S
REQUESTED BY MANUFACTURERS. ACCORDING TO DBP IT ALSO GIVES
THEM THE OPPORTUNITY TO ALLOCATE THE CCC LINE AMONG MANUFACTURERS
ON AN EQUITABLE BASIS.

4. APPARENTLY WASHINGTON IS STILL NOT COMPLETELY CLEAR ON ROLE
OF PHILIPPINE COMMERCIAL BANKS IN THESE L/C TRANSACTIONS.

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PHILIPPINE COMMERCIAL BANKS ARE NOT TO BE DIRECTLY INVOLVED IN

THESE TRANSACTIONS. DBP WILL FILE L/C APPLICATION FOR MANUFACTURER WITH ONE OF THREE PREVIOUSLY DETERMINED U.S. BANKS. THE U.S. BANK WILL CONFIRM 100 PERCENT OF THE L/C AND DBP WILL BE THE GUARANTOR. CCC WOULD NOT BE ACCEPTING LETTER OF CREDIT FROM DBP BUT FROM A U.S. COMMERCIAL BANK. ABSOLUTELY NO PHILIPPINE COMMERCIAL BANK INVOLVEMENT IN THIS DIRECT TRANSACTION.

5. COMMERCIAL BANK INVOLVEMENT, IF INVOLVED AT ALL, IS PROVIDING DBP ASSURANCES THAT MANUFACTURER WILL PAY DEBT TO DBP. THIS ASSURANCE USUALLY PROVIDED IN THE FORM OF A DOMESTIC LETTER OF CREDIT. DOMESTIC BANK ALSO USUALLY PROVIDES THE MANUFACTURER WITH FINANCING FOR THE L/C OPENING CHARGE WHICH USUALLY AMOUNT TO ABOUT 15 PERCENT OF THE FACE VALUE OF THE L/C. OPENING CHARGES CONSIST OF ONE YEAR ADVANCE PAYMENT OF INTEREST AT THE CCC GOING RATE, 2-1/2 DBP LOAN GUARANTEE FEE, 1-1/2 PERCENT CENTRAL BANK FORWARD COVER CHARGE FOR SERVICING THE DEBT, ABOUT 1 PERCENT TO COVER THE U.S. BANKS SERVICING FEE AND A COUPLE OF OTHER SMALLER CHARGES. DBP COLLECTS THIS OPENING CHARGE BEFORE PLACING THE L/C WITH A U.S. BANK.

6. DBP HAS ADVISED ME THAT THEY WILL PROVIDE ALLOCATION LIST EARLY NEXT WEEK FOR FORWARDING TO WASHINGTON. AGATTACHE TOLD DBP HE WAS NOT SURE WASHINGTON WILLING TO HANDLE TOBACCO L/C'S IN THE SAME MANNER AS COTTON L/C'S BECAUSE COTTON PROCEDURE WAS DESIGNED TO DEAL WITH A SPECIAL PROBLEM.

7. IF ANY PART OF THIS MESSAGE NEEDS FURTHER CLARIFICATION YOU MAY WISH TO CONTACT DIBRELL BROS. AND REFER TO THEIR COMMUNICATIONS WITH ED WEBB DIBRELL CAROLINU, PHILIPPINES.

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